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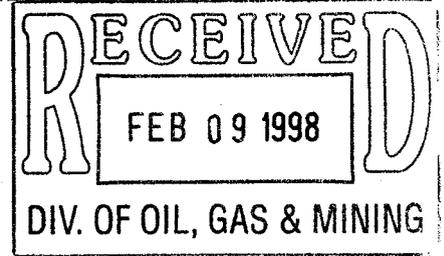
Pam Grebraugh - Lobby



United States Department of the Interior

BUREAU OF LAND MANAGEMENT

Utah State Office
P.O. Box 45155
Salt Lake City, UT 84145-0155



In Reply Refer To:
3485
SL-031286
(UT-932)

FEB 6 1998

Mr. Lowell Braxton, Director
Utah Division of Oil, Gas and Mining
P.O. Box 145801
Salt Lake City, Utah 84114-5801

Copy Corrected Pam

Dear *Lowell* Braxton:

ACT/007/006 #2

Enclosed is a request for a royalty rate reduction for Federal coal lease SL-031286, filed by Cyprus Plateau Mining Corporation on January 30, 1998.

Please review the request and convey your recommendations, questions and comments to Max Nielson (539-4038).

Sincerely,

Douglas M. Koza

Douglas M. Koza
Deputy State Director,
Natural Resources

Enclosure
Request for Royalty Rate Reduction (5pp)



Cyprus Plateau Mining Corporation
Post Office Drawer 7007
Price, Utah 84501-7007
(435) 637-2875
Fax: (435) 637-2247

January 27, 1998

Mr. William Lamb
State Director
Department of the Interior
Bureau of Land Management
Utah State Office
324 South State
P.O. Box 45155
Salt Lake City, Utah 84111-2303

RECEIVED

JAN 30 1998

Bureau of
Land Management

RE: Request for royalty reduction Federal Coal Lease SL 031286.

Dear Mr. Lamb:

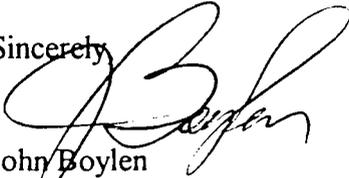
Cyprus Plateau Mining Corp. is requesting a royalty reduction for the coal resources remaining in Federal Coal Lease SL 031286. All available longwall coal has been extracted from the Starpoint No. 2 Mine, leaving continuous miner room and pillar mining as the only available mining method. Cyprus Plateau Mining Corporation is requesting a royalty rate reduction of 3 percent, from the current rate of 8 percent. The requested royalty rate is 5 percent of sales price.

The longwall mining method was used as the primary method of coal extraction at Starpoint No 2 Mine from 1984 until September 1997. The extraction of approximately 20 million tons of longwall coal kept the Starpoint No. 2 Mine profitable for about 12 years. With the exhaustion of longwall reserves, economics for the remaining reserves at Starpoint No. 2 Mine are marginal. The room and pillar method of coal mining is the only method available to extract the isolated coal remaining in Federal Coal Lease SL 031286. This mining method is more labor intensive than the longwall method, with lower coal margins. The Starpoint operation is making every possible effort to minimize costs: selling a run of mine product, sealing non active areas of the mine, reducing overhead costs, and "looking for every unnecessary nickel". A royalty rate reduction for the remaining resources in Federal Coal Lease SL 031286 would encourage greater resource recovery and be in the best interest in the conservation of the coal resource in this lease.

The royalty rate reduction is requested on two categories of the published guidelines, expanded recovery, and extension of mine life. As stated before, all identified longwall reserves have been extracted from the Starpoint No. 2 Mine. Room and pillar mining methods are sub economic when directly competing with longwall operations. The coal contained in Federal Coal Lease SL 031286 is only recoverable with room and pillar methods. The projected mine life of the Starpoint No. 2 Mine will be expanded if the recovery of room and pillar area coal resources can be achieved. Successful recovery of coal in isolated room and pillar blocks would be assisted with a royalty rate reduction.

The operation at the Starpoint No. 2 mine is near completion. Any possible royalty reduction must occur as soon as possible to have the greatest potential of extending the mine life. Cyprus Plateau Mining Corp. is requesting the royalty reduction take effect retroactively to October 1, 1997, the first quarter without longwall production. The duration of the requested royalty reduction would be until the economic reserves of Federal Coal Lease SL 031286 are exhausted. A mine map for this lease is attached for the three seams of interest. Contact Tom Hurst at 435 472 4749 with any questions.

Sincerely,

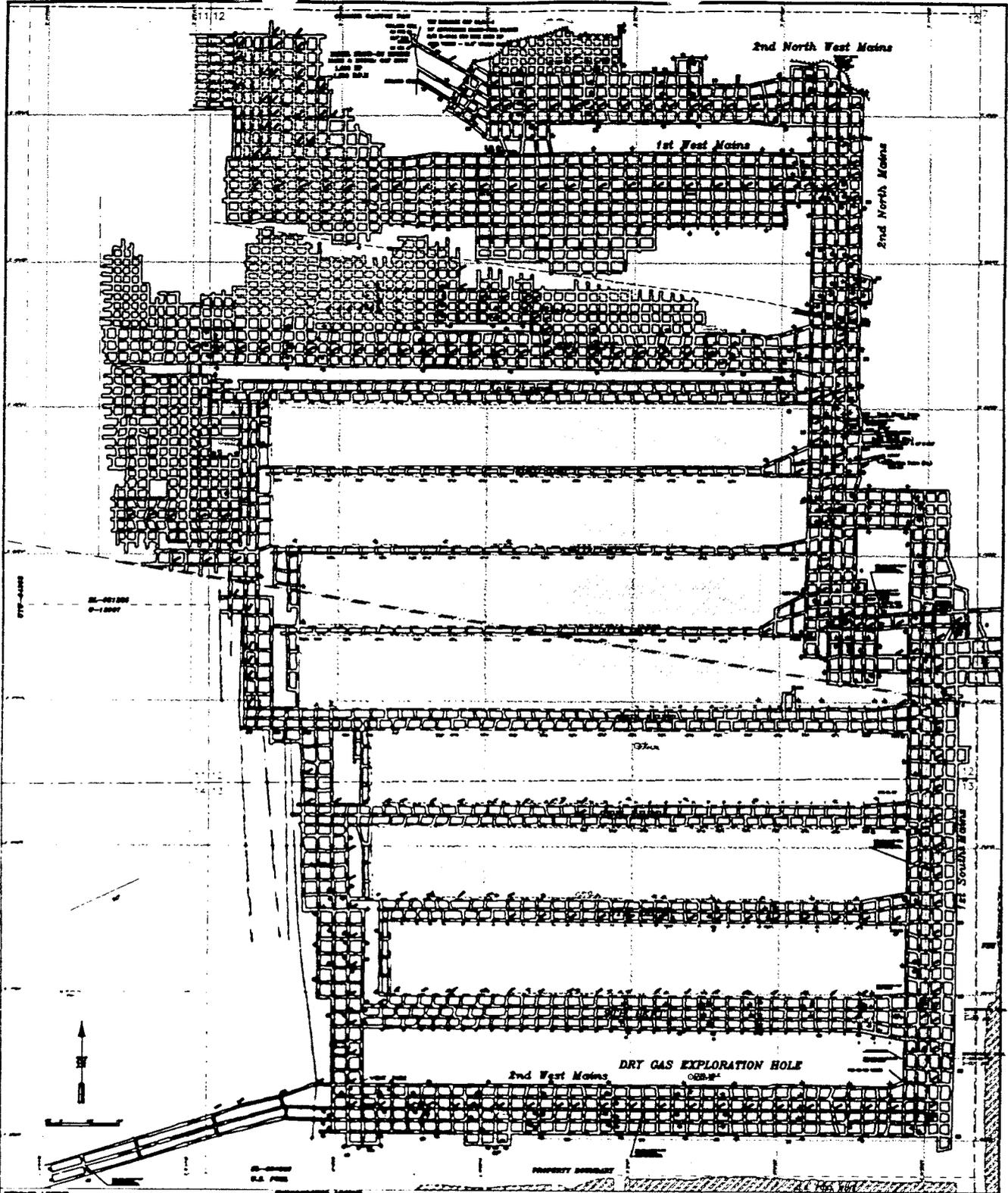


John Boylen
Mine Manager

Attachment

- c. BLM-Price River Resource Area
 - Lee Gaskins
 - Tom Hurst
 - Art Palm
 - Johnny Pappas
 - Jack Trackemas
 - Dennis Ware

File Gov. 1.6.3



THIS HOLE IS A DRY EXPLORATION HOLE
 MADE BY THE MINE IN THE INTERESTS
 OF THE STATE OF PENNSYLVANIA
 UNDER THE PROVISIONS OF THE
 ACT OF APRIL 22, 1902, P. L. 100, CH. 107.

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CYPRUS
 Plateau Mining
 P.A. NUMBER P.C. FILED, 1902-1903
 NUMBER (101) 107-1070
 FIELD POINT No. 3 2000
 2ND WEST MAIN
 NORTH MAIN

